

MINUTES OF THE
MARICOPA ASSOCIATION OF GOVERNMENTS
ECONOMIC DEVELOPMENT COMMITTEE

May 5, 2015

MAG Offices, Saguaro Room
302 North 1st Avenue, Phoenix, Arizona

MEMBERS ATTENDING

Mayor John W. Lewis, Gilbert, Chair
Mayor Michael LeVault, Youngtown, Vice Chair
Mayor Gail Barney, Queen Creek
*Steven Betts, GPEC
Tony Bradley, Arizona Trucking Association
*Dr. Joseph Cavinato, Thunderbird
Angela Creedon, Arizona State University
Mark Dreher, East Valley Partnership
Thomas Franz, Greater Phoenix Leadership
Mayor John Giles, Mesa
Sintra Hoffman, ADOT
Mayor Linda Kavanagh, Fountain Hills
#Jim Kenny, El Dorado Holdings, Inc.
Supervisor Kunasek, Maricopa County
Mayor W.J. "Jim" Lane, Scottsdale
Mayor Georgia Lord, Goodyear
#Mayor Jackie Meck, Buckeye

#Mayor Mark Mitchell, Tempe
#Mayor Christian Price, Maricopa
*Jim Rounds, Elliott D. Pollack & Company
Todd Sanders, Greater Phoenix Chamber
of Commerce
Mayor Thomas L. Schoaf, Litchfield Park
Councilmember Jack Sellers, Chandler
*Bill Sheldon, WESTMARC
*Dan Spitz, Achen-Gardner Construction
Mayor Greg Stanton, Phoenix
#Sandra Watson, ACA
#Mayor Jerry Weiers, Glendale
#Mayor Kenneth Weise, Avondale
Mayor Sharon Wolcott, Surprise

* Not present

Participated by video or telephone conference call

OTHERS PRESENT (from sign-in sheet(s)):

James Ahlers, Molere Alvarez
Roc Arnett, EVP
Anubhav Bagley, MAG
Len Becker, Buckeye
Jessica Blackman, Avondale
Jessica Blazina, Avondale
Alan Carey, GBI
Alana Chávez Langdon, MAG
Natalia Cuneo, MAG
Dan Davis, Avondale
Elias Espinoza, Arizona Business Bank

Jennifer Graves, Gilbert
Sapna Gupta, Morrison Institute, ASU
Gail Lewis, ADOT
Jack Lunsford, AZ Community College
Coordinating Council
Diane McCarthy, West-MEC
Denise McClafferty, MAG
Lora Mwaniki-Lyman, MAG
Amanda Nash, Maricopa County
Linda Priano, MAG
Nathan Pryor, MAG

Tom Remes, Phoenix
Ruth Soberanes, North American Research
Partnership
Dennis Smith, MAG
Tim Strow, MAG

Kelly Taft, MAG
Mark Valenzuela, ASU
Marisa Walker, ACA
Heather Wilkey, Gilbert

1. Call to Order

The Economic Development Committee (EDC) meeting was called to order by Chair Lewis at 11:37 a.m.

2. Pledge of Allegiance

The Pledge of Allegiance was recited. Jim Kenny, Mayor Meck, Mayor Mitchell, Mayor Price, Sandra Watson, Mayor Weiers, and Mayor Weise joined the meeting via teleconference. Chair Lewis welcomed Tony Bradley, President of the Arizona Trucking Association and Sintra Hoffman, Assistant Division Director, Public Affairs, from the Arizona Department of Transportation as new members to this committee.

Chair Lewis also recognized the attendance of Councilmember Lorenzo Sierra from the City of Avondale in the audience.

Chair Lewis noted public comment cards were available for those members of the public who wish to comment. Chair Lewis stated that transit tickets were available from Valley Metro for those using transit to come to the meeting. Parking validation was available for the MAG parking facilities for those who parked in the garage.

3. Call to the Audience

Chair Lewis noted that the Call to the Audience provides an opportunity to members of the audience who wish to speak on items not scheduled on the agenda that fall under the jurisdiction of MAG, or on items on the agenda for discussion but not for action. Citizens are requested to not exceed a three minute time period for their comments. A total of 15 minutes is provided for the Call to the Audience agenda item, unless the Economic Development Committee requests an exception to this limit. Those wishing to comment on agenda items posted for action will be provided the opportunity at the time the item is heard. Chair Lewis noted that no public comment cards had been received.

4. Approval of the April 7, 2015 Economic Development Committee Meeting Minutes

Chair Lewis asked members of the committee if they had any questions or comments regarding the April 7, 2015, meeting minutes. There were none. Mayor Barney moved to approve the April 7, 2015 Economic Development Committee meeting minutes. Mayor Lane seconded the motion and the motion carried unanimously.

5. Report on the Statewide/Maricopa Community College's Economic Impact Study

Jack Lunsford, Chief Executive Officer with the Arizona Community College Coordinating Council, stated that Arizona Community Colleges create a positive economic impact on our region. He added that the Arizona Community College Coordinating Council recently released a statewide Economic Impact Study, conducted by Economic Modeling Specialist International. He reported that the study shows that community colleges contribute nearly \$14.5 billion to the state's economy. The study also proves that Arizona Community Colleges create new and higher lifetime incomes, local jobs, a skilled workforce, an expanded economic base and improves our quality of life. Equally as important, more than 90 percent of those who attend Arizona's Community Colleges remain in Arizona and contribute to our state's prosperity.

Mr. Lunsford stated that Arizona Community College Coordinating Council is a statewide council that is led by ten community college CEO's representing ten districts, covering eleven counties. He reported that they have approximately 375,000 students and award 40,000 degrees and certifications annually. He added that more than 10,000 students transfer to public universities annually. Mr. Lunsford reported that Economic Modeling Specialists was contracted by the Arizona Community College Coordinating Council in 2014 and applies a conservative methodology and follows standard practices using only the most recognized indicators of economic impact and investment effectiveness. He added that the full report was available on the Arizona Community Colleges website at: www.maricopacommunitycolleges.org.

Mr. Lunsford discussed the economic impact of Arizona's Community Colleges on our state's economy. He reported \$1.2 billion in direct expenditures; \$300 million from out-of-state students and tuition; and \$13 billion from alumni who have received education and training within community colleges that have higher skilled jobs and adding to Arizona's economy. He added that the rate of return in the state of Arizona for students investing in college is 19.2 percent. The study also shows the economic impact for the Maricopa County Community College District, which is \$732.4 billion in direct expenditures; \$240.6 million from out-of-state students; and \$6.3 billion in alumni impact. In the Maricopa region, the rate of return for students investing in college is 16.6 percent.

Mr. Lunsford compared the economic impact of Arizona's Community Colleges compared to the aerospace and manufacturing sectors. He stated that the community colleges in our region are on par with aerospace and defense sector and approaching the impact of the manufacturing sector. He also discussed the expected level of incomes in Arizona at the midpoint of individual's working career by education level, showing the profound impact Arizona students can have on our future workforce, which is a 19.2 percent rate of return on our investment.

Chair Lewis thanked Mr. Lunsford for the report and asked if there were any comments or questions from the committee.

Mayor Kavanagh commented that the contribution of community colleges are enormous. She added that it is amazing that the community colleges have been able to keep the tuition costs down so that they can give opportunities for students who cannot afford a four year university or for those who are just starting out in higher education. She added that community colleges also have smaller class sizes and can provide extra help to students that are just getting started.

Mayor Lane asked if anybody has looked into whether there is a level of additional success for students who go to a community college and then transfer those credits to a four year institution. Mr. Lunsford responded that students transferring from community colleges to a four year institution generally perform better upon transfer than those who enter the university as freshman.

Mr. Dreher asked due to the recent cuts, what is the impact going to be on tuition rates as the community colleges go forward without state funding. Mr. Lunsford commented that the revenue streams for community colleges are from property tax, tuition and state aid. The community colleges have no option but to increase tuition. He added that if the state continues along this current path of cutting, the outcome could be devastating for our rural communities and could force some schools to close.

Mayor Lewis commented that a business he recently met with was interested in a particular location in Gilbert because it was close to Chandler Community College. He added that education and economic development go hand-in-hand. Mr. Lunsford asked the committee members to be advocates from this perspective.

6. Opportunity Arizona - Foundation of Education

Amy St. Peter, MAG Human Services and Special Projects Manager, provided a brief report on a proposed event for this October, to raise awareness on the importance of developing the workforce that companies need in order to be more successful in our economy. She explained that the idea grew from the Joint Planning Advisory Council meeting last February where mining and manufacturing companies expressed their concerns about not being able to find the right workforce.

Ms. St. Peter provided an example on why our region is not developing the workforce we need. She explained that a company recently solicited two job openings, one for an engineer position and another for a machinist, both with similar salaries. The engineer position received over 250 resumes, while the machinist position received just two resumes. She added that MAG is currently working in partnership with West-MEC and the Greater Phoenix Chamber of Commerce to advance this initiative.

Ms. St. Peter explained that MAG will help convene the partners and assist in developing the event, help in providing the capacity to develop a video, as well as assist with case studies that illustrate the impact that the Joint Technical Education Districts (JTEDs) have on the economy and our ability to attract businesses in our region. She added that a number of speakers that will be invited to this event include Governor Ducey, Mike Rowe, Penny Pritzker, and Doug Pruitt. She noted that the purpose of this event is to raise awareness

about the viability and role of these jobs in our economy and to take a look in how we can better support this role to increase our global competitiveness.

Diane McCarthy from West-MEC discussed how this event will bring awareness and opportunity to technical schools, community colleges and the labor force needed to adequately grow the manufacturing pipeline. Ms. McCarthy stated that in order for this region to continue to be globally competitive, there needs to be a greater focus on the high-tech, manufacturing sector. She noted that there are currently fourteen JTEDs throughout Arizona and stated that the JTEDs are building their capacity and have adopted the Arizona Commerce Authority's sector strategies to match the job training with the job needs in every region. Ms. McCarthy stated that the graduation rate of high school students taking two or more courses in career technical education (CTE) is 98 percent. She explained that these CTE programs are creating an educational environment that combines core academics with real-world application and these programs touch the lives of high school and two-year college students statewide. She noted that these students typically have a lower financial burden than four-year college students and a greater earning potential than a high school graduate. She explained that the focus is to prepare students today for tomorrow's careers by developing skills, technical knowledge, and real-world experience for high-skill, high-demand, and highly successful careers.

Janelle Tassart from the Greater Phoenix Chamber of Commerce added that tentatively the event will take place in October, and all partners are collaborating to bring Michael Rowe, known for the television show "Dirty Jobs", as a keynote speaker to help elevate the images of the CTE jobs within our community. Another idea they are considering is they would like to tour Mr. Rowe around to area high schools, so that he can communicate with high school students the importance of these jobs.

Ms. Tassart added that the Greater Phoenix Chamber of Commerce will take the leadership role in the logistics of the event and stated that the Governor of Arizona, and the U.S. Secretary of Commerce, Penny Pritzker, will also be invited to participate in the event. Ms. McCarthy added that she would like to take this opportunity to introduce their newest partner in this event, Dr. Malcolm Green, who is the new Executive Director of the Arizona Manufacturing Partnership, which is a state wide organization that will also draw attendees to the event.

Chair Lewis asked if there were any comments or questions from the committee.

Mr. Smith commented that the MAG Communications Division will produce a video to highlight the work being done by the JTEDs. Mr. Smith added that the video will be shown at the October event and then cities can also promote it on their municipal channels.

Mayor Lane stated that he appreciated the presentation and how education is a very valuable component of our educational system. He asked if skills and aptitude test are still being given to high school students. Ms. McCarthy stated that aptitude testing is not the reason these CTE jobs cannot be filled. She stated that it has to do with the school counselors, which are overburdened in terms of the ratio of students to counselors, and the other reason are the moms of these high school students have a misconception of these types of jobs. She

explained that they do not want their child working in an dirty machine shop. She added that it is very important to educate the parents that these are good, high paying careers.

Mr. Franz stated that the business community put a huge value on the JTEDs and asked what the state's budget cut was to the JTEDs, and what is the risk as a result of these cuts. Ms. McCarthy responded that this coming year, for the first time, the legislature is going to punish school districts for having career and technical education. She added that the state is going to cut 7.5 percent from the school districts. She provided an example of Saddle Mountain High School. She explained that this district has failed to pass their last two overrides and because the career and technical classes are electives, the schools are first required to provide academic classes and that there will be no career and technical education classes, which is a 100 percent cut. She stated that this is a huge and very serious issue. Ms. McCarthy added that the total amount cut to the JTEDs was \$30 million and is urging the elected officials and the business communities to become involved to make sure these cuts do not take place. Mr. Franz added that this committee really needs to speak out on this.

Mayor Stanton suggested that when Michael Rowe comes to the region, he should be taken to the maker spaces in places like Phoenix and Mesa, where creative people are working on innovative initiatives that need to be promoted.

Mayor Kavanagh added that she recently met with middle school students and they were going on pretend job interviews. She noted that not one student stated they wanted to be a machinist or welder, they all wanted to be doctors or lawyers. She stated that if these CTE jobs offer really competitive salaries then they might be more interested.

7. Report on the Metro Phoenix Export Alliance

Karen Dickinson from Polsinelli PC, serves as chair of the Arizona District Export Council, provided a report on the Metro Phoenix Export Plan. She reported that Arizona's goods exports have grown 23 percent faster than the state gross domestic product since 2003. She noted that Arizona's top export markets for goods are Mexico, Canada, and China. During 2014, Arizona exports increased in excess of eight percent over 2013, and are up 34 percent in the five years since 2009. Ms. Dickinson added that exports represent a key opportunity to advance our state's economy and explained that the plan identifies strategies for taking advantage of global opportunities and leveraging the region's strengths and assets.

Ms. Dickinson stated that the Metro Phoenix Export Plan was developed under the Velocity initiative by the Greater Phoenix Economic Council, in collaboration with political, business and civic leaders in the region. It was funded and assisted by Brookings Institute and JP Morgan Chase. She discussed the Metro Phoenix Market Assessment and explained that the goal of the plan was to construct a business environment that creates quality jobs and greater prosperity and economic stability to Greater Phoenix by aligning the region to global markets. Ms. Dickinson discussed the objectives of the plan, which include doubling the value of exports as a percentage of the Greater Phoenix GDP; increasing the number of small and medium sized exporters in our region; expanding and promoting awareness of global business opportunities throughout Greater Phoenix; and position the Greater Phoenix area as a global-ready market. Strategies under this plan include a regional model of export

collaboration and coordination; unify, streamline and leverage the delivery of export education and assistance programs; foster and advance service sector and advanced industry exports; strategically promote Greater Phoenix assets, export capabilities and international business opportunities to local and international stakeholders; and support the advancement of export-enabling infrastructure and efforts to improve connectivity with other international commerce hubs.

Ms. Dickinson described the formation of the Metro Phoenix Export Alliance (MPEXA) that will oversee and support the implementation of the plan. MPEXA's mission is to facilitate the coordination of trade and export support activities in the Greater Phoenix region and to build collaboration among key partners, members and stakeholders. She explained that they will function as a one-stop-shop. She added that MPEXA is structured with an advisory board that meets quarterly and that this board is made up of SME exporter representatives, key global trade partners, member and stakeholder representatives, policy makers and representatives from large exporter companies. The working board is made up of volunteers that meet on a monthly basis and this board develops and manages MPEXA's long-term operational plans, including annual budgets, staffing, functional structure, fund raising and engagement with partner organizations to garner community support. Ms. Dickinson stated that the official launch of MPEXA will be on May 27, 2015, from 9 a.m. to 10:30 a.m. at the Arizona Small Business Association, located at 4600 E. Washington Avenue, Suite 340, Phoenix and invited the committee members to attend.

Chair Lewis thanked Ms. Dickinson for her report and asked if there were any comments or questions from the committee. Ms. Hoffman complimented and acknowledged Ms. Dickinson in the great job she did in working with the Transportation and Trade Corridor Alliance on this initiative.

Mayor Stanton stated that he is Co-Chair of this initiative and commented that the Metro Phoenix Export Plan is doing some very important work. He added that this is very significant for the region. Ms. Dickinson also acknowledged Hank Marshall for all his hard work on this initiative. She added that MPEXA will refer companies to key resources such as the ACA, GPEC and MAG websites, which contains information regarding international business.

8. Report on the Economic Impact of Extending the Border Zone to the Entire state of Arizona

Lora Mwaniki-Lyman, MAG Regional Economist, provided an update on a study of the potential economic impact of extending the border zone to the entire state of Arizona. She stated that tourism is one of the largest export-oriented industries in Arizona, and tourists from Mexico are critically important. She added that during the peak of the economy, 24 million Mexican visitors came to Arizona and spent \$2.7 billion. According to Customs and Border Protection (CBP), the Border Crossing Card (BCC) is one of the most secure travel documents used at the border and allows for faster processing at both the port of entry and interior immigration checkpoints.

Ms. Mwaniki-Lyman stated that extending the border zone to all of Arizona could provide more destinations of interest for people crossing the border and potentially attracting more

middle class Mexicans for tourism travel. She added that a Resolution of Support for Extending the Border Zone in Arizona and to streamline the Mexican visa process at the land ports of entry is currently being supported by Arizona regional planning agencies, as well as the Intertribal Council of Arizona and the City of Nogales, Arizona. She presented information from a study conducted by the University of Arizona that was completed in February of 2015, showing the potential economic impacts by extending the current 75 miles border zone limit to the entire state of Arizona.

Ms. Mwaniki-Lyman reported that the study determined that annual spending of Mexican visitors to Arizona declined from \$2.7 billion at the peak of the economy in 2007 through 2008 to \$2.257 billion in 2013. The report also concluded that extending the border zone to the entire state of Arizona could generate up to \$181 million in estimated spending in 2016, bringing the total projected spending of Mexican visitors to Arizona to nearly \$3.1 billion, with a total jobs impact of 31,856 (based on a best-case scenario of a three percent increase in border crossings resulting from the positive message the extension would send, and a 15 percent increase in passenger crossings of those who decide to travel north of the 75 mile border zone due to the extension). Ms. Mwaniki-Lyman noted that the full report is available on MAG's Economic Development Committee webpage and that Alberta Charney and Alan Hoogasian from the University of Arizona were teleconferencing if members of the committee had any specific questions regarding the study.

Mayor Lewis thanked Ms. Mwaniki-Lyman for her presentation and asked how the Governor's office feels about this initiative. Mr. Smith responded that MAG staff recently met with staff members from the Governor's office and the initiative is currently under advisement. Mr. Smith added that the extension of the border zone has never been tried at this scale, but it would have a significant impact on Arizona's number one economic sector, which is tourism, and this will help grow our economy. Mr. Smith also noted that the next step of this initiative is to ascertain the Governor's position on this issue and then take a delegation to the Department of Homeland Security in Washington, D.C., to discuss a change in the regulation in order to extend the border zone.

Mayor Kavanagh asked if Mexico mirrors this program for Americans crossing the border when going into Mexico or do they require a special permit. Mr. Sellers commented that he believed all of Sonora, Mexico is a free zone for U.S. tourists. Mayor LeVault added that he has heard some misconceptions regarding this issue in regards to the security of the process. He noted that the border crossing card is granted to middle class Mexicans who want to come to Arizona to spend their money. He added that the process and the documents are as secure as they can be.

9. Discussion on Communication and Engagement Between City and Local Business Leaders

Due to time constraints, this agenda item was not heard.

10. Update from the Arizona Commerce Authority

Rosalyn Boxer, Vice President of Workforce Development, at the Arizona Commerce Authority (ACA), provided a report on the ACA's workforce development efforts. She

explained that the new Workforce Innovation Opportunities Act is a federal workforce program that becomes effective July 1, 2015. Ms. Boxer stated last year Arizona received \$52 million to educate, train and work with local industries, and this year, the State is expecting to receive \$59 million.

Ms. Boxer explained that the workforce development division works directly with the areas of business attraction, creation and expansion. She added when companies first approach Arizona or if they want to expand their business, they are especially interested in the present and future workforce of our region. Ms. Boxer stated ACA adopted the workforce sector partnership about three years ago and these sector partnerships focus on developing regional labor force to help specific industries throughout the state grow, and are developed at the local level. Other initiatives include industry summits in aerospace and defense and in information technology to identify their workforce needs. She added that the Arizona Manufacturing Partnership is currently developing a program in partnership with Edfactor, which goes to high schools in our state to educate them about the manufacturing industry, to begin developing a world-class workforce. Chair Lewis thanked Ms. Boxer for the presentation and asked if there were any comments or questions from the committee. There were none.

11. Update from the Greater Phoenix Economic Council

Michelle Kauk, Greater Phoenix Economic Council (GPEC) Director of Communications and Public Affairs, commented that GPEC will be taking a delegation of 55 regional leaders including 15 elected officials, to Washington D.C. on May 11-14, 2015. She added that GPEC recently released a Marketing Intelligence Report, which analyzes the software industry in Greater Phoenix.

12. Request for Future Agenda Items

Chair Lewis asked if there were any requests for future agenda items. There were none.

13. Comments from the Committee

Chair Lewis asked if there were any comments from the committee. Alana Chávez Langdon, MAG International Economic Development Analyst, reminded the committee members that on June 3-5, 2015, MAG will be taking a delegation to Hermosillo and Guaymas, Sonora, Mexico, for an economic development and industry trade mission. She asked members to contact MAG staff by May 15, 2015, if they are interested in attending.

Adjournment

There being no further business, the Economic Development Committee meeting was adjourned at 1:24 p.m.

Chair

Secretary